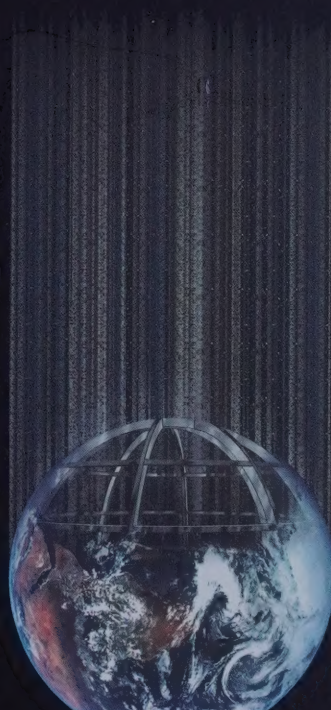
ENGINEERING THE FUTURE

ADF Group Inc.



ANNUAL REPORT 1999-2000

World Leader in Structural Steel Megaprojects with High Technology Requirements

ADF Group Inc. ("ADF" or "the Company") is a world leader in the design, engineering, fabrication and erection of structural steel and heavy-built steel components for complex structures, as well as related architectural and miscellaneous metal work.

The Company also integrates several related products and services that enable it to offer its customers a complete selection of value-added solutions.

An active presence in North America, South America and overseas

CANADA:	Quebec, Ontario, Maritimes
UNITED STATES:	Florida, Georgia, Illinois, Kansas, New York, North and South Virginia, North and South Carolina, Texas, California, Maryland, New Jersey, Tennessee
INTERNATIONAL	
Caribbean:	Bahamas, Dominican Republic
Central America:	San Salvador
South America:	Peru
Africa:	Algeria (Maghreb)

Our Market

- Large-scale commercial and institutional projects (office towers, hotels, convention centres, government buildings, sports complexes, museums, recreational tourism facilities, etc.)
- Large-scale industrial projects (power stations, petrochemical complexes, automotive assembly lines, various manufacturing facilities)
- Large-scale public infrastructures (airport facilities, aerospace complexes, electrical infrastructures, bridges, highways and overpasses, etc.)

Our Resources

Our most invaluable resource is our workforce of 1,300 qualified, skilled and dedicated employees, 800 of whom work in plants and offices, and another 500 on construction sites. Our staff includes 120 engineers and draftsmen recognized for their creativity and their innovative use of the latest technologies. We also have the fabrication capacity to process 130,000 tons of steel and generate sales of a half billion dollars annually.

Our Uniqueness

> *"We are the turnkey specialists in the realm of steel. The greater the challenges in terms of size, complexity and timeframe, the greater the need for the ingenuity, efficiency and flexibility of the ADF solution."*
>
> **Jean Paschini**
> Chairman of the Board and Chief Executive Officer

Financial and Stock Information

(in thousands of $)

Financial Performance	2000	1999	Growth
Sales	$218,203	$108,900	100%
EBITDA (1)	$32,410	$21,251	52%
EBITDA margin	14.8%	19.5%	
Depreciation and amortization (2)	$3,343	$1,942	72%
Interest (net) (2)	$3,235	$2,624	23%
Net earnings	$15,455	$11,784	31%
• per share	$0.73	$0.56	30%
Net margin	7.1%	10.8%	
Cash flow from operations before changes in working capital	$21,762	$13,980	56%
• per share	$1.03	$0.67	54%
Purchase of capital assets (2)	$7,563	$22,863	
Business acquisitions	-	$2,010	
Other assets acquisitions	$8,555	-	

Financial Position	2000	1999	Growth
Total assets	$165,084	$114,446	44%
Working capital	$62,462	$27,253	129%
• current ratio	2.25:1	1.58:1	
Shareholders' equity (3)	$90,755	$43,681	108%
Total net indebtedness (4)	$42,808	$44,701	(4)%
• % of total invested capital (5)	32%	51%	

Information on Share Capital	2000
Number of subordinate voting shares	7,162,793
Number of multiple voting shares	14,343,107
Share price	
- high	$13.00
- low	$7.50
- close (as at January 31, 2000)	$10.95
Average trading volume	11,664
Market capitalization as at January 31, 2000	$235,489

(1) Earnings before depreciation, amortization, interest, income taxes and non-controlling interest.

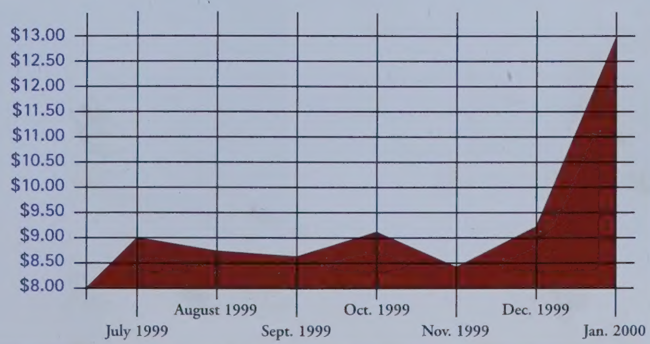
(2) In the last months of fiscal 1998-1999, ADF acquired various businesses, including 51% of ADF Heavy Industries Inc., a new subsidiary created to acquire a fabrication complex in Lachine, Quebec. Depreciation, amortization and interest expenses related to this expansion were accounted for throughout fiscal 1999-2000, compared with just a few weeks in 1998-1999.

(3) On July 21, 1999, ADF completed the public placement of 4.1 million subordinate voting shares (including the subsequent exercise of the over-allotment option), for total net proceeds of approximately $30 million. In addition, two debentures worth $20.8 million were converted into 2.9 million additional shares. It should be noted that earnings per share and cash flow from operations per share for fiscal 1998-1999 take these issues into account.

(4) Long-term debt including the current portion, plus bank indebtedness net of available cash.

(5) Total net indebtedness divided by the sum of total net indebtedness and shareholders' equity.

Stock Market Performance

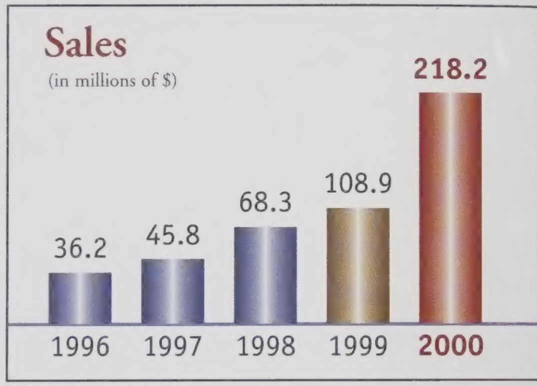


44 Years of Growth and Technological Leadership

ADF's was born from the passion of a blacksmith, Jacques Paschini, who in 1956 founded a workshop specializing in intricate metal work. Subsequent to its incorporation in 1979 and the arrival of the current management, ADF Group Inc. achieved spectacular growth and sustained profitability, year after year, without ever deviating from the tradition of excellence of its founder.

On July 21, 1999, in order to accelerate internal growth, ADF floated its initial public offering for total proceeds of $30 million. The primary objectives were to:

- Consolidate the Group's presence in its traditional business sectors and geographic markets
- Expand into high-growth geographic markets such as Toronto, Miami, Boston, Chicago, New York and Washington
- Penetrate new sectors including office towers, bridges, overpasses and industrial facilities
- Broaden its skills to reinforce its one-stop shopping advantage and develop new markets
- Pave the way for future growth, in North America and elsewhere around the world



Growth 1999-2000

+ 100%

Achievements in Fiscal 1999-2000: ADF Delivered the Goods

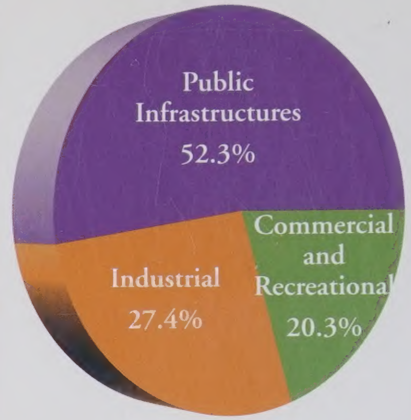
- 100% growth in sales and 31% in net earnings
- Major breakthrough in targeted markets of the Northeastern United States: contracts worth Cdn$213 million for public infrastructures, high-rise buildings and airport facilities
- Set up of an international sales and marketing team
- Creation of three new subsidiaries specializing in complementary fields of expertise:
  ADF Industrial Steel, Inc. (industrial market)
  MDI USA, Inc. (erection of steel structures)
  ADF China Inc. (market development)

Growth 1999-2000

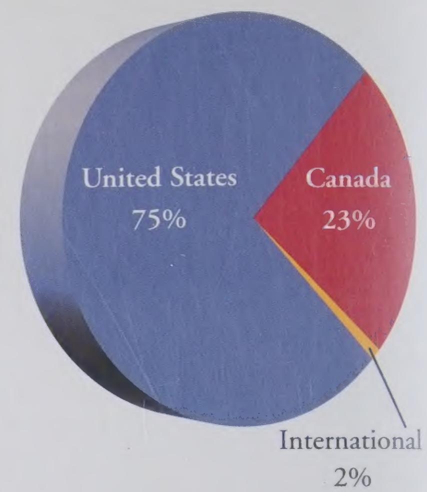
+ 31%

Revenue Breakdown for 1999-2000

- by business sector



- by geographic market



Outlook and Objectives 2000-2001

ADF will maintain its accelerated pace of growth and high profit margins through:

- a selective approach, exclusively aimed at projects with superior profit margins;
- rapid growth in sectors such as high-rise buildings and public infrastructures;
- systematic and accelerated development of the ADF Industrial Steel subsidiary with regard to industrial projects;
- selective development of the international market, targeting projects with particularly attractive profit margins;
- additional investments in the Group's production capacity and technological edge.

> *"ADF is in a class by itself in the structural steel industry. The magnitude and depth of its skills enable the Company to tackle the most ambitious projects, where competition is scarce. That is why our profit margins are so much higher than the industry average."*
>
> Pierre Paschini, Eng.
> President and Chief Operating Officer

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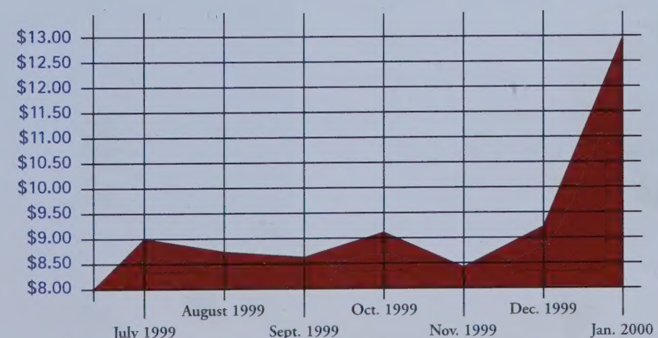
Stock Market Performance



Message to Shareholders

It is with great pride that we present our first annual report as a public company, on behalf of ADF Group's entire team.

On July 21, 1999, after several years of strong expansion, ADF took a decisive step for its future by associating the investing public with its growth. Those who placed their trust in us by subscribing to this initial public offering will undoubtedly be pleased to learn that the Company has met all of its strategic and financial commitments. In so doing, ADF has established its credibility on stock markets where its stock has appreciated 37% in the space of six months.

Achievements in 1999-2000

During the fiscal year ended January 31, 2000, we doubled our sales, which rose from $109 million to $218 million. ADF posted record net earnings of $15.4 million or $0.73 per share, up 30% over the previous year.

Consistent with the objectives outlined to shareholders, most of our growth was achieved in the United States, in market segments targeted as the most promising and profitable for the Company, such as high-rise buildings, public infrastructures and airport facilities. These are a few of our achievements:

- US$43 million contract for Bear Stearns' new 45-storey office tower in New York;
- US$13 million contract for the 15-storey building that will soon house the U.S. Courthouse in Brooklyn;
- contracts totalling US$58 million for public infrastructure projects, namely the Tunnel Artery in Boston, the Springfield Interchange in Virginia and Northwest Airlines Terminal Roadway in Detroit; and
- some US$33 million for the construction of airport facilities in Boston, Chicago and Miami.

Project at 383 Madison Avenue in New York:
45-storey office building

Magnola electrolysis plant in Quebec: industrial infrastructure and silos

Springfield Interchange in Virginia: highway infrastructure and overpass

Alcan aluminum plant in Quebec: industrial infrastructure and silos

A Success in Every Way

It would not be overstated to say that ADF has practically reinvented the steel superstructure industry.

We have built such an outstanding pool of complementary skills, that ADF has become one of the few companies capable of assuming all aspects of a project, from design engineering to erection, rather than splitting the execution between a multitude of subcontractors.

We have been industry pioneers in the use of the most sophisticated technologies, and still have a several-year technological lead.

We have recruited and trained the best qualified resources on the market, who use all their creativity to offer solutions that are as rigorous as they are innovative and bold.

And the more we diversify our sectoral and geographic markets as we are doing now, the more we expand our potential base of high-yield projects and our earning power.

EFFICIENT, INTEGRATED OPERATIONAL STRUCTURES

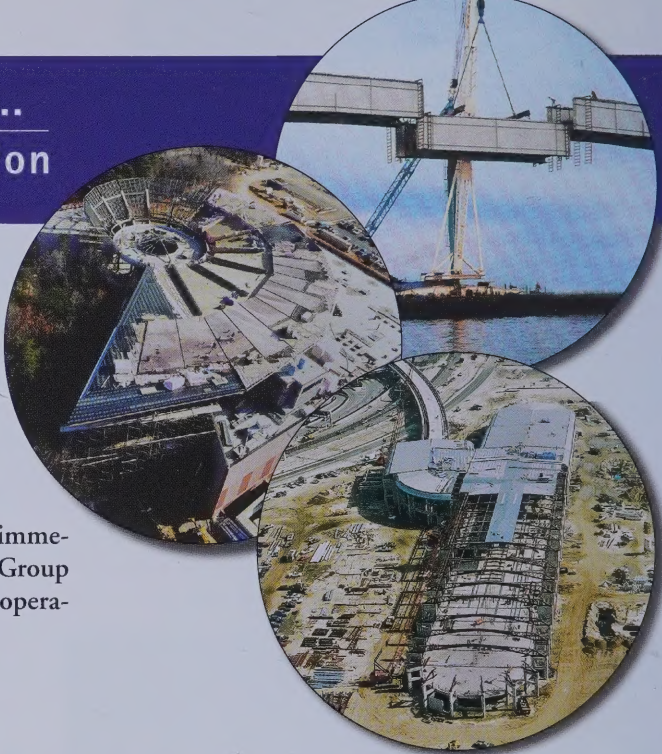
HIGHLY SELECTIVE, TARGETED MARKET DEVELOPMENT

FEW COMPETITORS OF SUCH HIGH CALIBRE

SUPERIOR PROFIT MARGINS

At an average of 9.3 % for the last two years, ADF's net profit margin is MUCH HIGHER than the rest of the North American structural steel industry... and CLEARLY SUPERIOR to the manufacturing sector.

More than an evolution...
... a revolution



Exceptional Growth and Earnings Strategy

In 1999-2000, aside from efficiently meeting the immediate demand in our markets, we equipped the ADF Group for future growth from a human, technological and operational standpoint.

• Management

Several high-calibre executives were recruited in order to set up an administrative structure adapted to our growth objectives. Today, we can count on an efficient synergistic management team of some 40 experienced professionals.

Consistent with the principle of integration that is ADF's strength, our executives constantly interact and work closely together in the management of all aspects of our operations: purchasing, estimation, administration, engineering, project management, procedures, fabrication, installation, etc.

• Development of Subsidiaries

Last year we also created three new subsidiaries to accelerate our growth in certain target markets:

- MDI USA, Inc., specializing in the erection of structural steel in the United States;
- ADF Industrial Steel, Inc., with a mission to develop the strong potential of the industrial market in North America; and
- ADF China Inc., which is exploring strategic alliance opportunities in this huge Asian market.

• Information Technology and Communications: Toward Fully Automated Operations

We are currently finalizing the installation of a fibre optic network and an information system that will fully automate our operations and completely integrate the management of every aspect: from imaging to fabrication, not to mention finance, document management and electronic archiving.

Once again taking the industry lead, ADF thereby intends to capitalize on the information technology revolution in order to put its management intelligence at the service of its customers throughout the world.

- HIGH-PERFORMANCE AUTOMATED PRODUCTION
- RIGOROUS INTEGRATED MANAGEMENT OF WORK
- COMPUTERIZED INVENTORY AND PURCHASING MANAGEMENT
- FINANCIAL MANAGEMENT
- TELECOMMUNICATIONS, INTRANET AND INTERNET

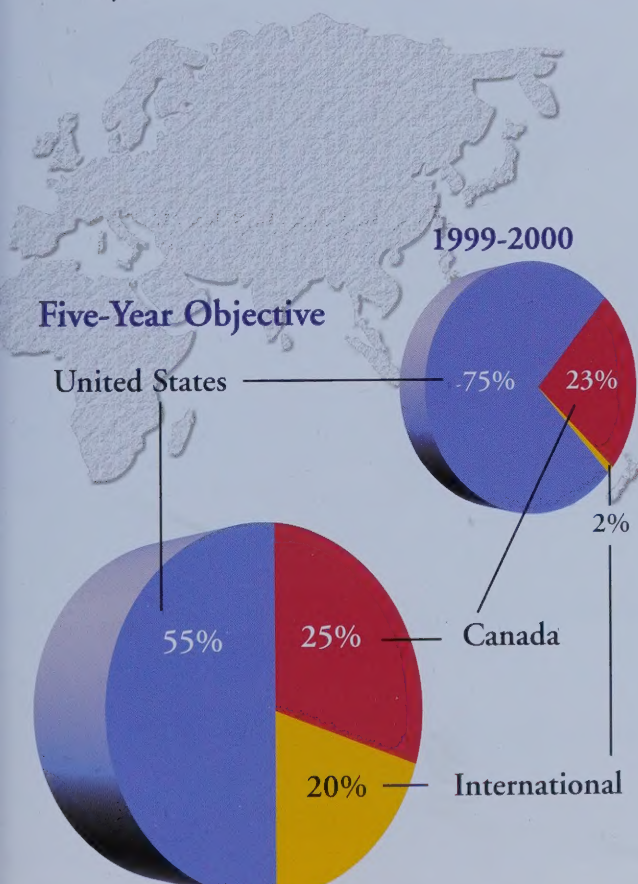
"ADF's reputation as world-class leader has already extended far beyond the borders of the North American continent."

Dr Nansen Cheng
President, ADF China Inc.
Jean-Louis Leblanc
Executive Vice-President, International Affairs
Richard Côté
Vice-President, International Operations

• International Development

We also set up an international marketing department which is now comprised of 10 managers having a vast experience of foreign markets, and whose combined competence encompasses prospecting and marketing, project management, engineering, fabrication, financing and, international business law.

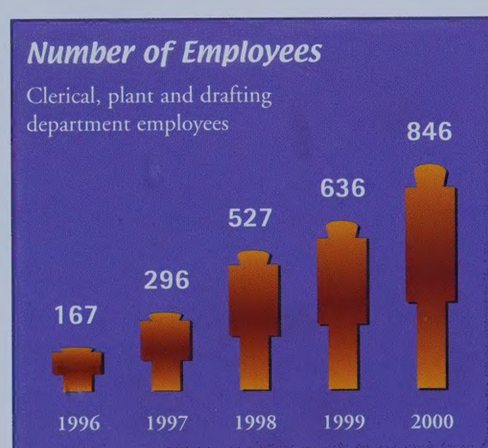
In the last few years, ADF has exported its know-how to South America, North Africa and the West Indies. More recently, we inaugurated promising business relations in the Far East. Our goal is for international markets to account for 20% of our sales within three to five years.



• Human Resources

Recruiting, development and training qualified, experienced people has always been a core priority at ADF.

Over the past five years, our workforce has increased six-fold and we have invested substantial amounts in training, so as to increase the technological and operational skills of the Group's employees.

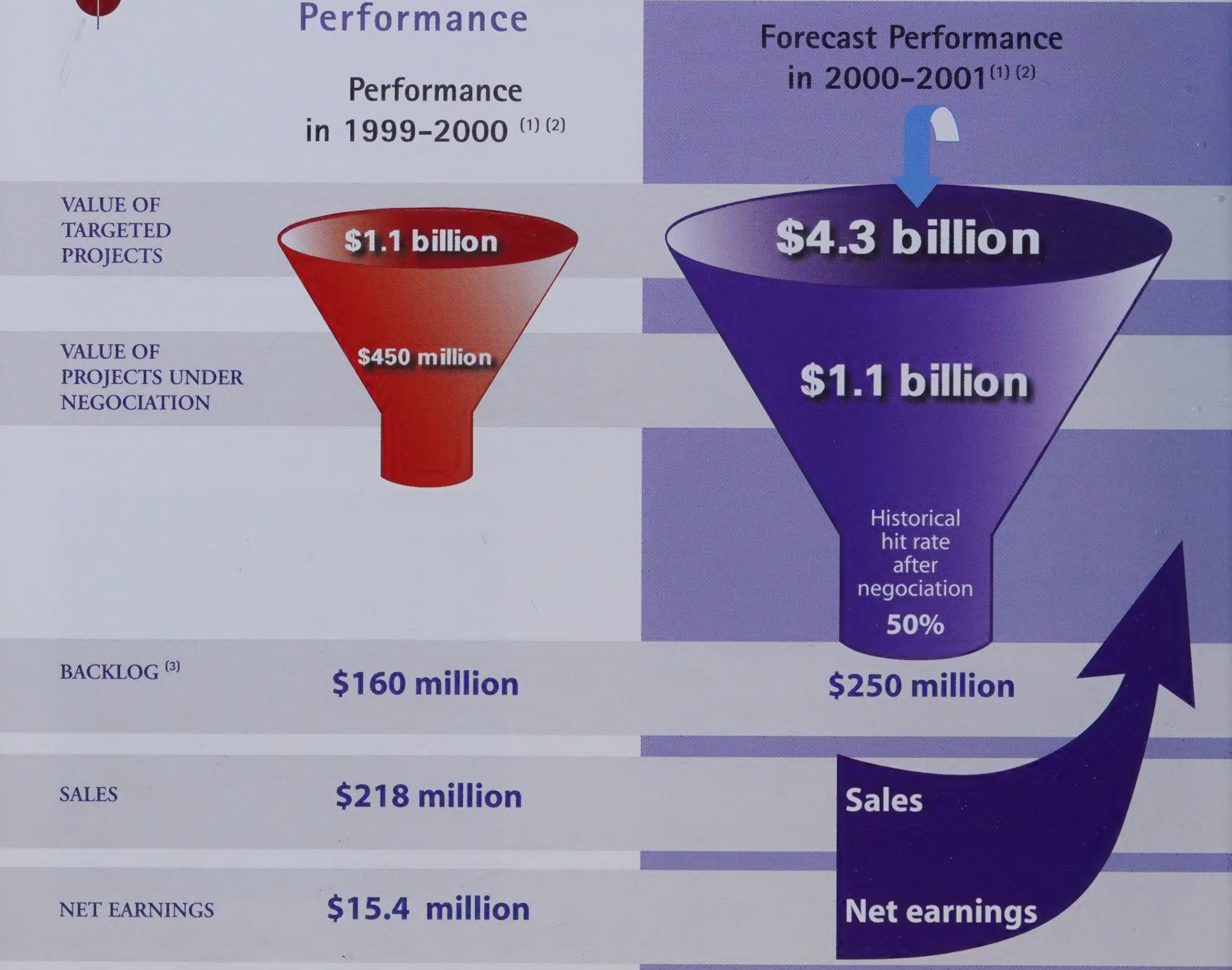


We adhere to innovative human resources policies based on the continuous improvement of skills, respect and equitable treatment of individuals, quality of life in the workplace, and a sense of belonging.

ADF is one of the few key players worldwide capable of achieving the tallest high-rises, buildings with the longest spans, and the largest stadiums.

ADF closed fiscal 2000 with a backlog of firm orders totalling $250 million, up 56% over the same date in 1999.

Focus on Performance



(1) All amounts are in $Cdn.
(2) Backlog: Orders generally extend over a period of 12 to 18 months
(3) The above figures apply to the beginning of the fiscal periods, or February 1st.

ADF has strongly positioned itself not only to meet the growing demand for complex, fast-track projects, but also to emerge as a winner from the expected consolidation of its industry, that will likely be driven by technology and know-how.

Among our objectives for fiscal 2000-2001, we aim to:

- accelerate our growth in high-rise buildings and public infrastructures in the United States; and

- open up new longer-term growth avenues on the international market, where we will pursue an extremely selective approach, targeting projects with the most attractive profit margins.

Therefore, we will consider various alternatives to increase our fabrication capacity by expanding our facilities, opening a second plant in the United States, or forging strategic alliances with manufacturers within specific projects.

For the current fiscal year, a capital expenditure program of some $16 million has been set up to expand some of our plants and strengthen our technological lead in areas such as automation, telecommunications, intranet, internet and e-commerce. We also plan to further invest in developing our human resources and reinforcing our business and quality processes.

"Our principal strength is being able to count on some of the most skilled employees worldwide."

Myriam Fontaine
Human Resources Manager
Yvan Vandemale
Operations Manager

It goes without saying that we will fully capitalize on the most promising development opportunities offered to the Company, while always keeping our focus on structured and profitable growth.

In conclusion, we join the members of our Board of Directors in congratulating all of ADF Group's employees and managers for their talent, dynamism and invaluable commitment. We would also like to thank our customers for their confidence and trust, as well as all our suppliers, be they internal or external to the Group, for contributing to the quality of the solutions we offer.

Finally, we wish to thank our shareholders for believing in the Company's potential and embracing our vision of the future. Rest assured that we will continue to manage the Company in an energetic, yet careful fashion in order to maximize the return on your investment. We will also do everything in our power to foster a fair valuation of our stock, by promoting ADF's results, strengths and potential through ongoing and transparent investor relation programs, in North America and elsewhere.

Jean Paschini
Chairman of the Board and Chief Executive Officer

Pierre Paschini, Eng.
President and Chief Operating Officer

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

May 2000

1956-2000: Success Story

Built on Excellence

From a modest blacksmith shop...

In the 1940s, a blacksmith apprentice in his native Italy carved out his first piece of work. His name was Jacques Paschini and his work, a wrought-iron dragon…

A few years later, Jacques Paschini disembarked in Canada to open, north of Montreal, a shop specializing in the production of intricate wrought-iron products, which he named “Au Dragon Forgé ”.

In 1980, the founder passed the torch to the second generation of Paschinis, shortly after the Company was incorporated under its present name as **ADF Group Inc.** Building upon the heritage of excellence of their predecessor, the young Paschinis brought the Company to new heights by reorienting its operations toward the production of structural steel for the non-residential construction industry, and developing its expertise in increasingly complex steel structures and architectural and ornamental works.

In the 20 following years, despite two major recessions, ADF has never posted a single year of loss.

... to a world leader

In the 1990s, the Company undertook its conquest of the North American and international markets:

DIVERSIFICATION

1992 Breakthrough in the Southeastern United States, with the opening of an office in Florida

1994 Construction of a plant in Coral Springs, Florida

EXPANSION

1997 Launch of a major expansion and upgrading program of facility

Transfer of Quebec operations to a 400,000-square-foot ultramodern industrial complex in Terrebonne

1998 Purchase of state-of-the-art design and fabrication software, as well as fully automated production lines

Acquisition of a 51% interest in a 520,000-square-foot fabrication complex in Lachine, Quebec

1999 Initial public offering ($30 million)

The strategic achievements of the recent years have brought the Company to unprecedented levels, and paved the way for an even more promising future.

Vertical Integration Unmatched in North America

At first glance, what sets ADF apart from the rest of the industry is the impressive range of products and services that are an integral part of the solutions its develops for its customers.

Unlike most competitors, ADF not only offers design, engineering and fabrication services, but also assumes the erection of structural steel and heavy built-up metal components.

Faithful to its origins, the Company has a proven expertise in the fabrication of highly complex architectural and miscellaneous metal work.

Finally, ADF has gradually added to its core business several peripheral services which, aside from offering customers the advantage of a one-stop shop, enable ADF to control both the quality and cost of its supply of products and services: treatment of metal surfaces; distribution of industrial gas; welding and safety equipment; industrial and construction tools; bolt products and metal fasteners; rental of heavy construction equipment; etc.

"In our industry, time and money rules the show. At ADF, controlling all aspects of our production ensures that our efficiency is foolproof, giving us a major competitive edge.

Thanks to our expertise in the erection of structures and our various complementary services, we can reduce the number of sub-contractors involved in a project and as a result, minimize the risk of conflict and delays that could be caused by coordination problems. For our customers, our one-stop shop means "quality, reliability and on-time delivery". For ADF, it necessarily translates into profit margins that are significantly higher than the industry average."

Joaquim Vaz
Construction Director

At ADF, our integration concept goes much further than the organizational framework. It is deeply rooted in the Company's management style and corporate culture, where everything is based on team work and ongoing, transparent communications between various departments and subsidiaries.

Birth of a Steel City

Plant in Terrebonne (Canada)

Plant in Lachine (Canada)

Plant in Florida (United States)

Vertical Integration Unmatched in North America

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ADF Group Inc.

Fabrication

Au Dragon Forgé Inc.
300 Henry-Bessemer
Terrebonne, Quebec, Canada • J6Y 1T3
Tel.: (450) 965-1911
(800) 263-7560
Fax: (450) 965-7034

ADF Heavy Industries Inc.
500, Notre-Dame
Lachine, Quebec, Canada • H8S 2B2
Tel.: (450) 965-1911
(800) 263-7560
Fax : (450) 965-7034

Sales and Erection Services

ADF International Inc.
3661 N.W. 126th Avenue
Coral Springs, Florida 33065-2426, USA
Tel.: (954) 340-8854
(800) 299-1490
Fax: (954) 340-8856

ADF Industrial Steel, Inc.
300 Henry-Bessemer
Terrebonne, Quebec, Canada • J6Y 1T3
Tel.: (877) 338-3006
Fax: (450) 965-7034

ADF Steel Corp (Canada)/(USA)
25 Belfield Road
Toronto, Ontario, Canada • M9W 1E8
Tel.: (416) 241-6967
Fax: (416) 241-3239

ADF China Inc.
300 Henry-Bessemer
Terrebonne, Quebec, Canada • J6Y 1T3
Tel.: (450) 965-1911
(800) 263-7560
Fax: (450) 965-7034

MDI • Montage d'Acier International Inc.
MDI USA Inc.
310 Henry-Bessemer
Terrebonne, Quebec, Canada • J6Y 1T3
Tel.: (450) 965-7360
Fax: (450) 965-8282

Distribution and Services

Dry-Tec Coating Inc.
250 Henry-Bessemer
Terrebonne, Quebec, Canada • J6Y 1T3
Tel.: (450) 965-0200
Fax: (450) 965-0700

TecnoGaz Québec Inc.
201, Henry-Bessemer
Bois-des-Filion, Quebec, Canada • J6Z 4S9
Tel.: (450) 686-0202
Fax: (450) 965-7645

AMCAN Threaded Products Inc.
1350 Marie-Victorin Blvd.
Saint-Bruno, Quebec, Canada • J3V 6B9
Tel.: (514) 990-0889
(800) 661-2658
Fax: (450) 445-6116

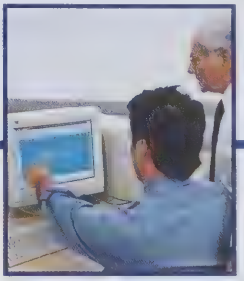
Outillage Technologique Industriel (O.T.I.) Inc.
195 Henry-Bessemer
Bois-des-Filion, Quebec, Canada • J6Z 4S9
Tel.: (450) 965-2224
Fax: (450) 965-3830

Location d'Équipements International Inc.
342 Henry-Bessemer
Bois-des-Filion, Quebec, Canada • J6Z 4S7
Tel.: (450) 621-3909
Fax: (450) 965-1950

Much more than steel... the intelligence of an entirely new approach

"Our entire approach is based on one fundamental principle: the core product that we bring to the market is intelligence... It calls upon the multiple talents of our entire team, from the creativity of our estimators and boldness of our designers and engineers, to the efficiency of our production teams and thoroughness of our project managers. That is how ADF Group can master the most challenging projects in the world, including the highest office towers, buildings erected in seismic zones, structures with the longest spans and the largest amphitheatres."

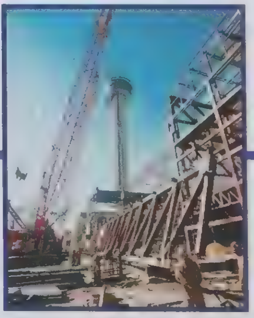
Kathleen Ryffranck
Coordinator, Public Relations
Pierre Labelle
Vice-President, Administration and General Counsel

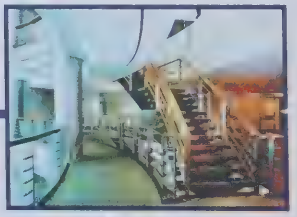

DESIGN, ENGINEERING AND DRAWINGS


COMPUTERIZED AND FULLY AUTOMATED PRODUCTION LINES

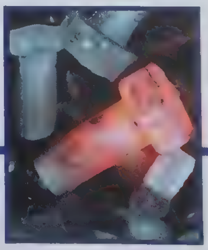

STRUCTURAL STEEL FABRICATION


COMPLEX METAL STRUCTURES

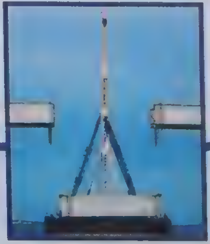

ERECTION SERVICES


ARCHITECTURAL AND MISCELLANEOUS METAL WORK


METAL SURFACE TREATMENT SERVICES


BOLT PRODUCTS AND METAL FASTENERS


INDUSTRIAL GAS, WELDING AND SAFETY EQUIPMENT


HEAVY CONSTRUCTION EQUIPMENT RENTAL SERVICES

Focus on Value-Added Solutions

Practical, Innovative, Cost-effective

"Speaking of value-added solutions, we mean flexible services tailored to our customers' needs and designed, from the outset, to save them time and money. These qualities make ADF a front-line partner from the beginning to the end of a project. They are all the more valued in complex, fast-track projects which we have made our specialty. That is why we continually develop our human and technological skills and constantly rethink our practices and methodology."

Yves Cloutier
Vice-President,
Sales and Estimation

ADF's ability to offer such solutions comes from the convergence of:

- its cutting-edge expertise in structural steel;
- the creative talent of its team of engineers and draftsmen;
- its use of the latest design and fabrication technologies; and
- the strict application of its rigorous work methods and procedures.

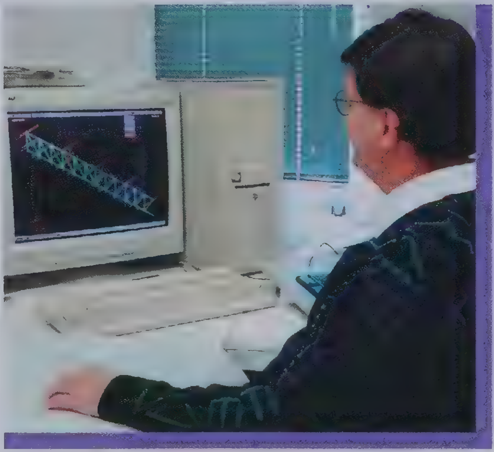
This convergence encompasses every stage of a project: from initial estimation to final turnkey delivery, not to mention purchasing, fabrication, project management and financing.

Among other things, ADF Group's estimation and design services are among the most innovative in the world, while its various production operations meet international quality standards.

3D DESIGN AND ENGINEERING

MORE THAN 120 ENGINEERS AND DRAFTSMEN

EXPERIENCED AND QUALIFIED PERSONNEL



A Total Commitment to Quality

ADF has undoubtedly developed a winning formula, that we intend to project into the future to maximize shareholder value.

ADF's commitment to quality entails the application of rigorous methods and procedures and the continuous training of employees working at every stage of production. Set out in a quality assurance and control manual, this global day-to-day approach covers the Company's quality assurance programs, quality control inspection systems and control procedures.

In fact, ADF's services in the area of total quality management are so advanced that the Company can offer them to outside firms involved in complementary business sectors.

ADF has reinvented the steel industry, as a unique source of

- **INTEGRATED SERVICES**
- Conception
- Engineering
- Fabrication
- Assembly
- Treatment
- Erection

- **PRODUCTION**
- Vertical integration
- Three production plants
- Experienced employees

- **TECHNOLOGICAL SKILLS**
- Computer-assisted design, engineering and drafting
- Fully automated production
- Specialized manpower

... ***for megaprojects that are***

- Diversified
- Highly complex
- On a fast-track schedule
- Technologically demanding

... ***at the service of its shareholders***

- Selective, targeted development
- High-yield projects
- Superior profit margins

On-Time
On-Budget Delivery

Key Success Factors in Large-scale, Fast-track Projects

ISO 9001

ADF's reputation for excellence is just as strategic an asset as its human, technological and financial resources. The fact that the Company is increasingly recognized for the quality, efficiency and reliability of its services gives it a major edge in the selection process, especially when projects involved are highly complex and subject to fast-track schedules.

Such projects require extremely rigorous management, advanced technologies and great flexibility. As it happens, very few players apart from ADF meet all of these criteria. In fact, the Company has earned an excellent reputation for its ability to deliver on time and within budgets, which enabled it to develop long-term business relationships with its customers and partners.

Many of them have shown their appreciation for the quality of ADF's input in the most concrete manner there is: that is by awarding it new contracts. The Company is therefore increasingly well positioned not only to increase its revenues, but also to maintain its profit margins by doing business with customers who understand, recognize and value its skills.

"We, at Clark, would like to recognize the ADF Group for the professionalism and concern for quality that their teams showed throughout the Naval Nuclear Power Training Command Facility, in Charleston. The biggest challenge of this $110-million project being its fast-paced schedule, without your help, Clark hardly could have met the expectations of its clients. We hope that ADF is as proud as we are of this achievement and are looking forward to our next endeavor together."

John W. Barotti
Project Executive
The Clark Group Construction, Inc.

"We have established an ISO business process and set up a Continuous Systems Improvement Committee whose principal mission is to ensure that the Company is always resolutely focused on the future... and several years ahead of the competition."

Jean-Paul Côté
Quality Assurance Manager

"We would like to emphasize the excellent business relations we have developed with ADF since 1996. We are pleased to have participated in the growth of a company like the ADF Group, which has achieved an unusually sound financial performance year after year. With its Quebec and Canadian expertise and know-how, ADF is a model for success on the international scene."

Gilles Lapierre
Vice-President and Sector Director
Business Development Bank of Canada

Unanimous Recognition from a World-Class Customer Base

To date, ADF has established solid business relationships with 30 of the top 50 North American contractors and several of the largest world-class engineering firms.

Its unique set of skills has also earned ADF several honours from the business community. In 1996, 1997 and 1998, ADF was selected among Canada's 50 best managed private companies by Arthur Andersen and the National Post, for the quality of its products and services, its innovative use of technology and the efficiency of its business. In 1999, the Company won the "Large Corporation of the Year" award as well as "Large Corporation, Foreign Markets" award from the Quebec Chamber of Commerce.

- The Bechtel Group Inc.
- The Turner Corp.
- Kiewit Construction Group Inc.
- Fluor Daniel
- Kvaener Construction
- Raytheon Engineers & Constructors Inc.
- Perini Corp.
- SNC Lavalin International Inc.
- Public Works Canada
- Hervé Pomerleau Inc.
- Gilbane Building Company
- Centex Corp.
- The Clark Construction Group
- PCL Construction Management
- J.A. Jones
- BFC Construction Corporation
- Transport Canada
- Alcan Smelters & Chemicals Ltd
- Hydro-Québec

"We want to highlight the work done by ADF's team as part of the Kenworth plant project in Ste-Therese, for which we were construction managers. Once again, ADF demonstrated its professionalism and concern for work completed on a fast-track schedule. We, at Hervé Pomerleau, are always pleased to join forces with experienced people like those at ADF."

Bernard St-Louis, Eng.
Senior Vice-President
Hervé Pomerleau Inc.

"The Clark/McHugh/Rausch joint venture congratulates ADF for all their good work and cooperation in helping us reach this significant point in the Midway Airport Project. We look forward for future joint projects where ADF's know-how and services will surely be as professional and helpful."

Steve Maslen, Vice-President
Gary Page, Senior Superintendant
Ken Carlson, Senior Project Manager

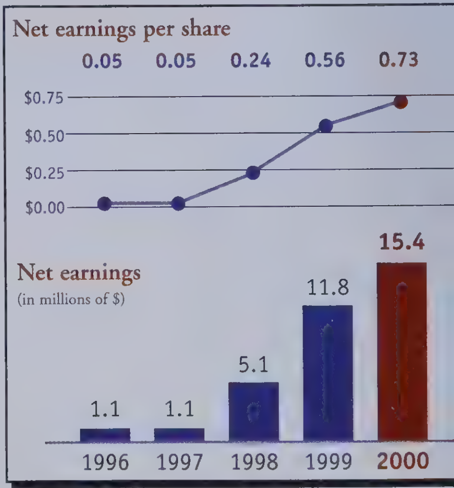
"The National Archives of Canada, a facility programmed to last 500, even 1,000 years, was without a doubt a challenge. The superstructure had to be made of stainless steel and we needed a capable fabricator. ADF filled the bill. They not only executed the work with remarkable quality, but minimized all potential problems, erected ahead of schedule and cooperated with everyone. The National Archives received in 1999 the Governor General's Medal for Excellence, Canada's highest award. No small thanks for ADF - A brilliant organization - A team player too!"

Ron Keenberg
Architect

Management's Discussion and Analysis of Operating Results and Financial Position

Prior Comments

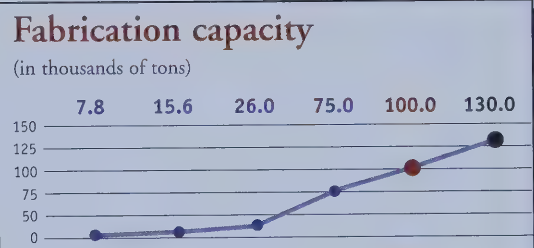
The comparative analysis of ADF Group's operating results and financial position for the fiscal year ended January 31, 2000 (hereinafter referred to as "fiscal 2000") and the fiscal year ended January 31, 1999 ("fiscal 1999") must take into consideration the important changes that occurred within the Company's operational base, market position, cost structure and balance sheet. During fiscal 1999, ADF notably invested some $25 million to expand its industrial infrastructure. Since most of these investments were made in the last months of the year, their full impact on our cost structure was felt primarily as of fiscal 2000. During fiscal 2000, moreover, in order to sustain the strong growth in revenues resulting from its recent expansion and market development, ADF implemented an organizational and administrative structure better adapted to its strategic goals, created three new subsidiaries and floated an initial public offering. These initiatives also contributed to modify our cost structure and financial profile substantially.

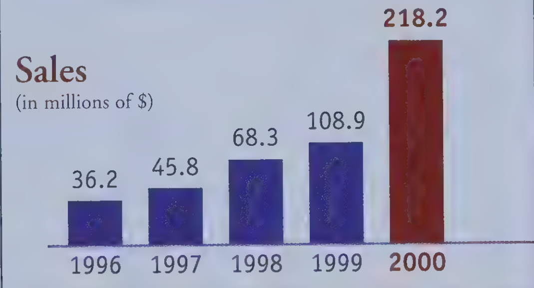


Operating Results

During fiscal 2000, ADF Group's sales grew by 100% to reach $218,203,000, compared with $108,900,000 in 1999, thanks mainly to the accelerated development of our presence in the United States. ADF's sales in the U.S. rose 155% to $164.6 million, thereby accounting for 75% of our total sales compared with 59% in the previous fiscal year. Most of this growth was achieved in new targeted niches such as high-rise buildings, airport facilities and public infrastructures. Among other things, the December 1998 acquisition of a 51% interest in a 520,000-square-foot fabrication complex in Lachine strengthened our ability to take on such large-scale projects involving the use of heavy built-up structural steel. ADF's sales also posted a solid 32% sales increase in Canada, where we carried out several large-scale projects for major companies such as Alcan, Magnola and Kenworth.

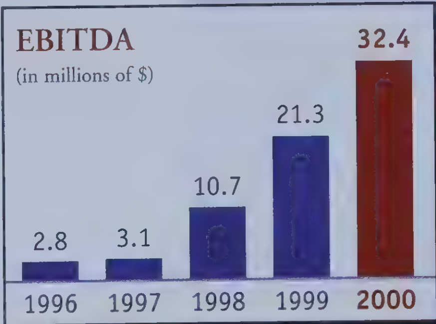
ADF recorded a gross profit of $43.9 million in the last fiscal year, up 55% over $28.3 million in fiscal 1999. Our gross profit margin went from 26% in 1999 to 20.1% last year, due to a combination of factors. First, as a result of the expansion carried out at the end of fiscal 1999, we began fiscal 2000 with a production capacity utilization rate of approximately 50%. The strong growth in our business volume enabled us to raise this rate to 75% by year-end, and thereby gradually increase our operating efficiency. Second, it understandably took our new subsidiaries a few months to build up sufficient critical mass to reach their breakeven point. It should also be pointed out that our subsidiary ADF Steel Corp. incurred, during the fourth quarter, significant non-recurring costs to start up an important business core in New York City, where it formed an exclusive partnership with one of the few local specialists in the erection of high-rise structures.





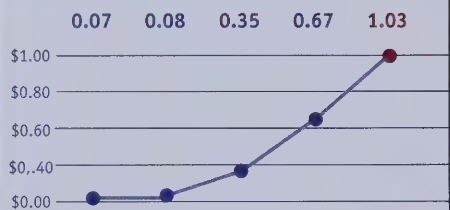
Third, our gross profit was affected by our decision to provision additional outsourcing expenses with regard to a highway infrastructure project in the United States, due to the application, by the Virginia Department of Transport, of administrative measures restricting ADF's possibility of using its Canadian facilities to fabricate the U.S.-origin steel relating to this project. By forcing us to deal with U.S. subcontractors, this situation entailed additional unexpected costs which we chose, as a conservative measure, to fully provision in the fourth quarter in order to avoid affecting the Company's future results. It should be noted that ADF has initiated negotiations with its co-contractor for the reimbursement of these additional costs, as well as with the U.S government to contest the restrictive administrative measures it is faced with. We aim thereby to increase our future access to highway infrastructure projects, while making maximum use of our resources, especially our Lachine facilities.

For fiscal 2000, ADF recorded earnings before depreciation, amortization, interest, income taxes and non-controlling interest (or "EBITDA") of $32.4 million, compared with $21.3 million for the previous fiscal year, an increase of 52%. The EBITDA margin went from 19.5% to 14.9%, due mainly to a reduction in the gross margin. On the other hand, total selling and administrative expenses as a percentage of revenues were reduced from 6.5% in 1999 to 5.3% in 2000, despite the expansion of our organizational structure and the intensification of our market development efforts, including the creation of an international marketing department.

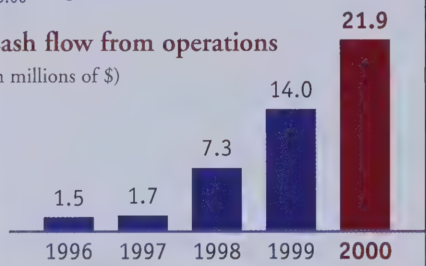


Depreciation and amortization of capital assets increased by $1.4 million or 72% as a result of the investments made at the end of 1999 and during fiscal 2000. Total financial expenses grew by $611,000 or 23%. The cost of debt as a percentage of revenues therefore went from 2.4% in 1999 to 1.5% last year.

Cash flow from operations
(per share)



Cash flow from operations
(in millions of $)



The shareholders' non-controlling interests portion in the income of subsidiaries totalled $419,000. It should be mentioned that ADF Heavy Industries Inc. in Lachine, achieved a healthy performance and is making a growing contribution to the Company's profitability.

After accounting for income taxes and non-controlling interests, net earnings for the fiscal year reached $15,455,000, compared with $11,784,000 in 1999, an increase of 31%. The net profit margin therefore stood at 7.1% last year, versus 10.8% in 1999, and 6.9% in 1998. It should be pointed out that the Company achieved an appreciable 23% return on average equity over the past fiscal year. Finally, earnings per share amounted to $0.73 on a weighted average number of 21,221,000 shares outstanding, as opposed to $0.56 on 20,943,000 shares in 1999, giving effect to the July 1999 share issue.

Cash Flows

During the last fiscal year, ADF's cash flow from operations, before changes in non-cash items of the working capital, grew by 56% to total $21.8 million or $1.03 per share. The year's major event was incontestably our initial public offering, which closed on July 21, 1999. Under the offering, ADF issued 3,625,000 subordinate voting shares for net proceeds of $26.4 million. Moreover, the Company converted two debentures in the amount of $20.8 million into 2,850,293 shares of the same class. Finally, a few weeks after the public offering, the underwriters exercised their over-allotment option, giving rise to the issue of 562,500 additional subordinate voting shares, for net proceeds of $3.7 million .

This initial public offering therefore yielded net proceeds of $30.1 million. Consistent with the primary objective of the issue, almost all of these funds, combined with cash flow from operations, served to accelerate the Company's internal growth. Some $34 million was invested in non-cash working capital items to finance our strong business expansion. In addition, we invested $7.6 million to acquire capital assets, mainly to purchase new cutting-edge equipment for the Terrebonne facility and to refurbish part of the machinery at the Lachine plant.

We recorded an $8.6 million investment in the form of an advance to our subcontractor-partner in New York, which now operates on an exclusive basis with our subsidiary ADF Steel Corp. Expiring in five years and bearing interest at a minimum rate of 8%, this investment gives ADF a definite edge in the exceptionally dynamic and promising New York market. In fact, it was instrumental in the winning of new contracts worth $107 million in the first three months of fiscal 2001.

Finally, ADF repaid $5 million in long-term debt in the normal course of business over the past fiscal year. Combined cash inflows and outflows for the year therefore provided net cash resources of $848,000, bringing total cash and bank balances to $2.1 million as at January 31, 2000.

Financial Position

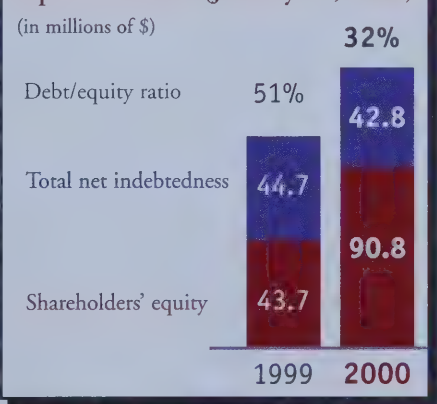
The share issue coupled with net earnings for the fiscal year more than doubled shareholders' equity, which climbed from $43.7 million or $2.08 per share as at January 31, 1999, to $90.8 million or $4.22 per share at the same date in 2000. Total assets rose 44% to $165.1 million by the close of the last fiscal year. The net value of capital assets amounted to $42.4 million as at January 31, 2000, up 12% over the previous fiscal year. Working capital increased from $27.3 million for a current ratio of 1.6:1 as at January 31, 1999, to $62.4 million for a ratio of 2.3:1 one year later. It should be pointed out that despite the exceptional growth in business volume, we significantly improved the average turnover of accounts receivable and contracts in progress. The turnover rate went from 2.2 times in 1999 to 2.6 times last year, thanks to the implementation of evermore efficient and sophisticated management information systems.

Total net indebtedness slightly decreased, from $44.7 million to $42.8 million. Our financial position was strengthened considerably by the injection of new capital and the growth in retained earnings. In fact, the total net debt to total invested capital ratio, which was 51% at the end of fiscal 1999, was reduced by over one-third to 32% at the end of the last fiscal year.

Outlook, Requirements and Sources of Funds for Fiscal 2001

Once again this year, ADF expects to achieve substantial growth in its revenues, which will stem primarily from the American market. It should be noted that in the last four months of fiscal 2000 alone, we obtained over Cdn$140 million in new contracts, mostly in the United States. What's more, ADF won some Cdn$200 million in additional contracts in the first quarter of fiscal 2001. Hence, ADF had an order backlog of $250 million as at January 31, 2000 and $350 million as at April 30, 2000. At the present time, we are at the negotiation stage for supplementary contracts totalling Cdn$1.1 billion, mostly with clients with whom we have already carried out mandates in the past. The Company has also targeted several other projects for which the potential is estimated at over Cdn$4 billion.

Capital structure (January 31, 2000)



We are also confident that we can preserve or even improve our profit margins, especially in the second half of the year. The Company's profitability will be favoured by a targeted strategy, a steady increase in its purchasing power and use of its capacity thanks to the increase in business volume, as well as the optimization of its new subsidiaries.

To sustain our expansion, we plan to invest approximately $16 million to increase capacity at our Terrebonne facility and to continue acquiring the latest and most performing management information technologies, in order to improve our operating efficiency and profitability while reducing our business risk. In addition, we are considering the possibility of acquiring a second plant in the United States, which would specialize in the fabrication of heavy built-up structures.

We are currently in the process of arranging new financing that will increase our total credit facilities by close to $40 million. Therefore, we will benefit from available short-term operating credits of $55 million and term loans of $30 million. Combined with the expected growth in cash flow from operations, this funding will give us the latitude needed to pursue our internal growth, finance our capital expenditure program and repay nearly $2 million in long-term debt. Finally, ADF does not plan to pay a dividend in the near future, preferring to retain its cash flow from operations to grow its business in North America and elsewhere the world.

Gilbert B. Monette
Vice-President, Finance

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

May 2000

MANAGEMENT'S REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, Samson Bélair Deloitte & Touche conduct an independent examination in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Jean Paschini
Chairman of the Board and Chief Executive Officer

Gilbert B. Monette
Vice-President, Finance

Terrebonne
May 3, 2000

AUDITORS' REPORT

To the Shareholders of
ADF Group Inc.

We have audited the consolidated balance sheets of ADF Group Inc. as at January 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair
Deloitte & Touche.

Chartered Accountants
April 7, 2000

CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars except per share amounts)

years ended January 31	2000	1999
	$	$
Sales	218,203	108,900
Cost of goods sold	174,279	80,624
Gross profit	43,924	28,276
Selling and administrative expenses	11,514	7,025
Income before the undernoted expenses	32,410	21,251
Amortization of capital assets	3,343	1,942
Income before interest, income taxes and non-controlling interest	29,067	19,309
Interest, net		
Interest on long-term debt	1,548	1,153
Other interest	1,687	1,471
	3,235	2,624
Income before income taxes and non-controlling interest	25,832	16,685
Income taxes (Note 15)		
Current	7,770	4,770
Deferred	2,188	208
	9,958	4 978
Income before non-controlling interest	15,874	11,707
Share of (gain) loss of non-controlling interest	(419)	77
Net income	15,455	11,784
Income per share (Note 17)	0.73	0.56

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars)

years ended January 31	2000	1999
	$	$
Retained earnings, beginning of year	23,408	11,535
Net income	15,455	11,784
Share issue costs net of income taxes of $1,330	(2,100)	—
Interest on convertible debentures, net of income taxes of $220 (1999 - $87) (Note 12)	(344)	(184)
Dividend (Note 11)	(17,000)	—
Reorganization (Note 3)	—	273
Retained earnings, end of year	19,419	23,408

CONSOLIDATED BALANCE SHEETS (in thousands of dollars)

as at January 31	2000	1999
	$	$
Assets		
Current assets		
Accounts receivable (Note 5)	63,433	39,931
Contracts in progress	37,814	28,070
Inventories	10,780	5,688
Prepaid expenses	239	579
Deferred income taxes	—	24
	112,266	74,292
Capital assets (Note 6)	42,426	37,960
Other assets (Note 7)	10,392	2,194
	165,084	114,446
Liabilities		
Current liabilities		
Bank indebtedness (Note 8)	21,966	21,799
Accounts payable and accrued charges (Note 9)	22,628	16,511
Income taxes payable	1,208	3,343
Deferred income taxes	2,368	1,753
Current portion of long-term debt (Note 10)	1,634	3,633
	49,804	47,039
Long-term debt (Note 10)	19,208	19,269
Deferred income taxes	479	—
Non-controlling interest	4,838	4,457
	74,329	70,765
Contingencies (Note 14)		
Shareholders' equity		
Share capital (Note 11)	71,336	2
Convertible debentures (Note 12)	—	20,271
Retained earnings	19,419	23,408
	90,755	43,681
	165,084	114,446

Approved by the Board

Jean Paschini
Director

Marise Paschini
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of dollars)

years ended January 31	2000	1999
	$	$
Operating activities		
Net income	15,455	11,784
Adjustments for:		
Amortization of capital assets	3,343	1,942
Amortization of other assets	357	119
Loss on disposal of capital assets	—	4
Deferred income taxes	2,188	208
Non-controlling interest	419	(77)
	21,762	13,980
Changes in non-cash operating working capital items		
Accounts receivable	(23,502)	(12,060)
Contracts in progress	(9,744)	(19,697)
Inventories	(5,092)	(1,969)
Prepaid expenses	340	(390)
Accounts payable and accrued charges	6,117	3,515
Income tax payable	(2,135)	2,071
Billing in excess of costs and recognized income on uncompleted contracts	—	(2,935)
Other	479	87
	(33,537)	(31,378)
	(11,775)	(17,398)
Investing activities		
Acquisition of capital assets	(7,563)	(22,863)
Business acquisitions (Note 4)	—	(2,010)
Reorganization (Note 3)	—	(1,113)
Proceeds from disposal of capital assets	—	20
(Increase) decrease in other assets	(8,555)	149
	(16,118)	(25,817)
Financing activities		
Increase in bank indebtedness	1,015	8,557
Issuance of shares	30,070	—
Issuance of convertible debentures	—	20,184
Issuance of long-term debt	2,669	9,294
Reimbursement of long-term debt	(4,975)	—
Non-controlling interests	(38)	4,271
	28,741	42,306
Net cash inflow (outflow)	848	(909)
Cash and cash equivalents, beginning of year	1,284	2,193
Cash and cash equivalents, end of year	2,132	1,284
Supplement cash flow information:		
Income taxes paid	9,905	2,590
Interest paid	3,971	2,624
Non-cash financing and investing activities		
Assumption of obligation and acquisition of assets under capital lease	246	—

(all tabular figures are expressed in thousands of dollars)

1. Description of business

The Company is incorporated under the *Canada Business Corporations Act*. The Company and its subsidiaries design, engineer, manufacture and erect structural steel structures and are involved in the supply of related services and materials.

2. Accounting policies

The Company follows Canadian generally accepted accounting principles. The most significant accounting policies are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions have been eliminated. At January 31, 2000, the Company held the following interests in subsidiaries:

ADF International Inc.	100%
Au Dragon Forgé Inc.	100%
ADF Industrial Steel Inc.	100%
ADF China Inc.	85%
Gestion Jet de Sable Inc.	75.5% (51% en 1999)
ADF Steel Corp.	60%
ADF Steel Corp. (Canada)	60%
Location d'Équipement International Inc.	60%
Montage d'Acier International Inc.	60%
ADF Heavy Industries Inc.	51%
Amcan Fasteners Inc.	51%
Amcan Threaded Products Inc.	51%
Outillage Technologique Industriel (O.T.I.) Inc.	51%
Tecnogaz Québec Inc.	51%

Revenue and cost recognition

The Company performs its services primarily under fixed-price contracts and recognizes revenue and costs from construction projects using the percentage-of-completion method. Under this method, revenue is recognized based on results achieved using the cost ratio method. Costs include all direct material and labour costs related to contract performance, subcontractor costs, indirect labour costs, and manufacturing plant overhead costs, which are charged to contract costs as incurred. Revenue relating to changes in scope of a contract is recognized when the customer has authorized the change, the work has commenced and the Company has made an estimate of the cost for the change. Revisions of estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revisions become known. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reasonably estimated. Provisions for estimated losses on uncompleted contracts are made in the period a loss becomes determinable.

Construction contracts with customers generally provide that billings are to be made periodically in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Holdbacks on contract receivables are amounts due on progress billings which are withheld until the customer has accepted the completed project.

Contracts in progress represent revenue earned under the percentage-of-completion method which has not been billed and also include costs incurred in excess of billings on contracts for which sufficient work has not been performed to allow for the recognition of revenue. Billings in excess of costs and recognized income on uncompleted contracts represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage-of-completion method on those contracts.

Inventories

Inventories are valued at lower of cost and net realizable value. Cost is determined using the first in, first out method.

Capital assets and amortization

Capital assets are recorded at cost. Amortization is recorded at rates which allocate the cost of depreciable assets over their estimated useful lives, as follows:

(all tabular figures are expressed in thousands of dollars)

2. Accounting policies (continued)

Capital assets and amortization (continued)

- Buildings and land improvements, using the straight-line method over a period of 40 years or the declining balance method at rates varying from 5% to 20%;
- Machinery and travelling cranes, using the straight-line method over periods varying from 10 to 25 years;
- Office furniture, rolling stock, computer hardware and software, using the straight-line method over a period of 5 years or the declining balance method at rates varying from 20% to 30%.

Deferred financing fees

Financing fees are deferred and amortized over the life of the related financing agreements. Amortization of these charges is included with other interest.

Deferred pre-production costs

Certain costs related to the start-up of new facilities and incurred prior to commencement of commercial operations are deferred and amortized over three years using the straight-line method.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets of businesses acquired and is being amortized on a straight-line basis over a period of 10 years.

Deferred income taxes

Income taxes are accounted for under on the deferral method. Deferred income taxes result principally from the fact that the Company claims amortization for tax purposes in amounts which exceed the charges recorded in the accounts and contracts in progress and holdbacks on contracts which are recognized as income but are not included in the determination of taxable income in the current year.

Translation of foreign currencies

The accounts of the Company and its integrated foreign subsidiaries stated in foreign currencies have been translated into Canadian dollars as follows:

- Monetary assets and liabilities, using the exchange rate prevailing at the balance sheet date;
- Non-monetary assets and liabilities, using the exchange rate prevailing at the date of transaction;
- Revenue and expenses, using average monthly exchange rates during the year, except for amortization, which is translated at the exchange rate prevailing the date the related assets were acquired.

Unrealized exchange gains and losses on assets and liabilities denominated in a foreign currency are included in net income, except for long-term monetary assets and liabilities, which are deferred and amortized under the straight-line method over the remaining life of the related asset or liability.

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Valuation of contracts in progress requires management to estimate the percentage of completion, cost of completion and anticipated gross margin. Measurement uncertainty exists in relation to the valuation of contracts in progress, related expenses and accounts receivable.

3. Reorganization and basis of presentation

On August 5, 1998, the Company (formerly known as El Drago Inc.), amended its articles of incorporation to change its name to "ADF Group Inc."

On November 6, 1998, the Company acquired all of the equity in Gestion J.P.M.P. Inc. from its shareholders in exchange for the issuance of 12 common shares having a stated value of $90. Gestion J.P.M.P. Inc. held interests in the following companies:

ADF Steel Corp.	60% interest
ADF Steel Corp. (Canada)	60% interest
Amcan Fasteners Inc.	50% interest (see Note 4d)
Gestion Jet de Sable Inc.	50% interest (see Note 4a and d)
Montage d'Acier International Inc.	60% interest
Tecnogaz Québec Inc.	50% interest (see Note 4d)

(all tabular figures are expressed in thousands of dollars)

3. Reorganization and basis of presentation (continued)

Concurrently with this transaction, Gestion J.P.M.P. Inc. was liquidated and its assets were transferred to and its liabilities were assumed by the Company. As a result, the Company directly owns the interests in the companies listed above.

The consolidated financial statements as at January 31, 1999 have been prepared to reflect the transactions described above under the continuity of interests basis as if they had occurred on February 1, 1998.

4. Business acquisitions

a) On October 30, 1999, the Company increased its interest in Gestion Jet de Sable Inc. from 51% to 75.5% for a cash consideration of $1. The acquisition which was accounted for using the purchase method resulted in no additional goodwill.

b) On November 8, 1998, the Company subscribed to 51% of the outstanding common shares of ADF Heavy Industries Inc. (formerly 3539491 Canada Inc.), for a cash consideration of $2,500,000. On November 8, 1998, ADF Heavy Industries Inc. acquired from the trustee to the bankruptcy of Dominion Bridge Inc. certain production assets for a cash consideration of $6,090,000. The acquisition of the assets was financed by the issuance of common shares to the Company in the amount of $2,500,000 and the issuance of common and preferred shares to Fonds de solidarité des travailleurs du Québec (FSTQ), in the amount of $2,500,000 and $1,000,000, respectively as follows:

	$
Assets acquired:	
Inventory	90
Machinery and equipment	6,000
	6,090

	$
Consideration:	
Cash	90
Issuance of common shares	5,000
Issuance of preferred shares	1,000
	6,090

Concurrently with the transactions referred to above, the Company entered into a long-term management agreement with ADF Heavy Industries Inc., which requires the Company to provide management services to ADF Heavy Industries Inc. for a fixed fee of $200,000 per month.

In addition, ADF Heavy Industries Inc. entered into an agreement with a government agency to lease the land on which its premises are located for a period of 39 years and 11 months for cash consideration of $1.

ADF Heavy Industries Inc. also entered into a loan agreement with FSTQ which provides for a loan of up to $5,000,000. The loan bears interest at 5% up to November 30, 2000 and 10% subsequently. The loan is repayable beginning on November 30, 2000, subject to certain conditions, but must be fully paid no later than November 30, 2002. (See Note 10).

c) On January 30, 1999, the Company acquired a 51% interest in Amcan Threaded Products Inc., a distributor of industrial bolting products and metal fasteners, for a cash consideration of $1,000,000. The assets acquired and liabilities assumed were as follows:

	$
Current assets	2,425
Capital assets	131
Other long-term assets	77
	2,633
Current liabilities (including bank indebtedness of $346)	1,057
Long-term liabilities	2
	1,059
Net assets acquired	1,574
Non-controlling interest – 49%	(771)
Goodwill	197
Consideration paid	1,000

The transaction has been accounted for using the purchase method.

(all tabular figures are expressed in thousands of dollars)

4. Business acquisitions (continued)

d) On January 30, 1999, the Company increased its interest in Amcan Fasteners Inc., Gestion Jet de Sable Inc. and Tecnogaz Québec Inc. from 50% to 51% for a cash consideration of $1 each.

5. Accounts receivable

	2000	1999
	$	$
Holdback on contracts	**10,201**	1,942
Contracts receivable	**46,556**	36,466
Allowance for doubtful accounts	**(847)**	(1,948)
	55,910	36,460
Goods and services tax and miscellaneous receivables	**7,067**	1,799
Advances to affiliated companies, non-interest bearing	**456**	1,672
	63,433	39,931

6. Capital assets

	2000		
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	$	$
Land	**753**	**—**	**753**
Buildings and land improvements	**23,895**	**2,513**	**21,382**
Machinery and travelling cranes	**21,930**	**4,775**	**17,155**
Office furniture, rolling stock, computer hardware and software	**5,740**	**2,604**	**3,136**
	52,318	**9,892**	**42,426**

	1999		
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	738	—	738
Buildings and land improvements	21,707	1,751	19,956
Machinery and travelling cranes	18,282	2,948	15,334
Office furniture, rolling stock, computer hardware and software	3,782	1,850	1,932
	44,509	6,549	37,960

7. Other assets

	2000	1999
	$	$
Note receivable from a sub-contractor (1)	**8,667**	—
Deferred pre-production costs, at amortized cost	**311**	488
Long-term debt repayment fund	**338**	198
Deferred financing fees, at amortized cost	**139**	644
Goodwill	**178**	197
Deferred foreign exchange loss, less amortization	**17**	141
Cash surrender value on life insurance policies	**—**	265
Other	**742**	261
	10,392	2,194

(1) The note receivable from a sub-contractor is secured by a moveable hypothec on machinery and equipment, bears interest at the greater of 8% or US prime rate and is payable over a maximum of five years.

(all tabular figures are expressed in thousands of dollars)

8. Bank indebtedness

	2000	1999
	$	$
Bank loans		
Canadian loan	**15,968**	18,438
United States loan (US$5,628 as at January 31, 2000 1999 – US$3,059)	**8,130**	4,645
	24,098	23,083
Cash	**(2,132)**	(1,284)
	21,966	21,799

The Canadian loan is secured by a moveable hypothec on receivables, inventories and certain capital assets.

The United States loan is secured by mortgages on real properties and by a security interest in the receivables, inventories, machinery and all present and future personal property of a subsidiary company.

As at January 31, 2000, the total credit facilities available to the Company amounted to $31,560,000 (including US$10,225,000).

9. Accounts payable and accrued charges

	2000	1999
	$	$
Trade	**22,628**	15,511
Balance due on purchase of a business (Note 4c)	**—**	1,000
	22,628	16,511

10. Long-term debt

	2000	1999
	$	$
Bank loans, secured by hypothecs on immoveable properties and by a moveable hypothec on machinery and equipment of a subsidiary company at a variable interest rate averaging 7% (1999 – 8%), maturing at different dates between October 2013 and August 2015	**4,410**	5,575
Bank loan (US$875,000; 1999 - US$984,000), secured by mortgages on real properties and by a security interest in receivables, inventories, machinery and all present and future personal property of a subsidiary, at an interest rate of 0.5% over prime bank rate, renewable in May, 2000	**1,265**	1,494
Bank loans, secured by a hypothec on immoveable property and by moveable hypothecs on machinery and equipment, at a variable interest rate averaging 7.2% (1999 – 7.9%), maturing at different dates between August 2002 and October 2003	**3,460**	5,461
Bank loan, secured by a second rank mortgage on a building, at an interest rate of lender's base rate less 1.5%, repayable in monthly instalments of $30,000, maturing in May 2011	**4,019**	4,250
Working capital loan from FSTQ, secured by a moveable hypothec on machinery and equipment of a subsidiary, at an interest rate of 5% up to November 30, 2000 and 10% subsequently, maturing in November 2002	**4,713**	2,100
Bank loans, secured by first rank mortgages on machinery and equipment, at interest rate of prime bank rate plus 1.5%, maturing at different dates from July 2002 to March 2007	**962**	1,161

(all tabular figures are expressed in thousands of dollars)

10. Long-term debt (continued)

	2000	1999
	$	$
Bank loan, secured by a moveable hypothec on machinery, at an interest rate of 6.76%, repayable into an amortization fund, maturing in September 2001	**1,400**	1,400
Due to shareholders, at 6% and 10%, without specific terms of repayment	**—**	859
Due to shareholders, non-interest bearing and without specific terms of repayment	**186**	383
Obligation under capital leases, bearing interest from 7.42% to 8.20%, maturing from December 2001 to September 2002	**372**	182
Other	**55**	37
	20,842	22,902
Current portion	**1,634**	3,633
	19,208	19,269

Long-term debt matures as follows:

	Obligation under capital leases			Other debt	Total
	Minimum payments	Interest	Principal	Principal	Principal repayment required
	$	$	$	$	$
2001	243	21	222	1,412	1,634
2002	110	3	107	2,811	2,918
2003	45	2	43	6,086	6,129
2004	—	—	—	1,288	1,288
2005	—	—	—	1,265	1,265
2006 and thereafter	—	—	—	7,608	7,608
	398	26	372	20,470	20,842

11. Share capital

Authorized
An unlimited number of subordinate voting shares.
An unlimited number of multiple voting shares
An unlimited number of preferred shares issuable in series

Changes in share capital during the year were as follows:

	Common Shares		Subordinate voting shares		Multiple voting shares		Preferred shares	
	Number shares	$	Number shares	$	Number shares	$	Number shares	$
Balance January, 31 1999	1,512	1	—	—	—	—	300	1
Converted to multiple voting shares (a)	(1,512)	(1)	—	—	12,343,107	1	—	—
Redemption (a)	—	—	—	—	—	—	(300)	(1)
Stock dividend and conversion (a)	—	—	125,000	1,000	2,000,000	16,000	—	—
Conversion of convertible debentures (c)	—	—	2,850,293	20,835	—	—	—	—
Issued (b)	—	—	4,187,500	33,500	—	—	—	—
Balance January 31, 2000	—	—	7,162,793	55,335	14,343,107	16,001	—	—

(all tabular figures are expressed in thousands of dollars)

11. Share capital (continued)

a) On July 7, 1999, the Company modified its capital structure by creating an unlimited number of subordinate voting shares, an unlimited number of multiple voting shares and an unlimited number of preferred shares, issuable in series. The subordinate voting shares and multiple voting shares are identical in all respects except that the multiple voting shares carry ten votes per share and are convertible at any time into subordinate voting shares on a one-for-one basis. The outstanding common shares at January 31, 1999 were converted into 12,343,107 multiple voting shares. The outstanding class "E", "F", and "G" preferred shares as at January 31, 1999, have been redeemed on June 27, 1999, for a cash consideration of $300. On July, 7 1999, the Company declared a dividend of $17,000,000 payable in the form of preferred shares, Series 1, which were then converted into 125,000 subordinate voting shares and 2,000,000 multiple voting shares of the Company.

b) On July 7, 1999, the Company issued through a public offering, 3,625,000 subordinate voting shares for proceeds of $25,840,000, net of issue costs of $3,160,000. On August 4, 1999, the Company issued 562,500 subordinate voting shares for proceeds of $4,230,000, net of issue costs of $270,000.

c) Concurrently into the issuance of shares referred to above, on July 21, 1999, convertible debentures together with accrued interest thereon amounting to $20,834,630, were converted into 2,850,293 subordinate voting shares.

12. Convertible debentures

The convertible debentures bear interest at 5.95%, are unsecured and are repayable capital and interest on November 8, 2001.

The debentures were converted to $3,000,000 in principal into 390,649 subordinate voting shares equivalent to the capital and interest outstanding ($3,125,195), and the remaining $17,000,000 debenture was converted into 2,459,644 subordinate voting shares, equivalent to the capital and interest outstanding ($17,709,435), at a conversion rate based on 90% of the public issue price of the subordinate voting shares.

13. Commitments

The Company is committed until October 2004, under lease agreements to rent office space and equipment for an amount of $1,704,442. The minimum amount payable over the next five years are as follows:

	$
2001	**476,829**
2002	**411,627**
2003	**359,826**
2004	**282,897**
2005	**173,263**

14. Contingencies

a) Litigation

In December 1998, a claim in the amount of $1,846,000 has been made against a subsidiary of the Company for alleged breach of contract. This claim has been revised to $982,000 in April 2000. The subsidiary has filed a counterclaim in the amount of $350,000. It is premature at this time to determine the outcome of this claim but management is of the opinion that this claim is without merit and accordingly, no provision has been made in the accounts with respect to this claim.

A subsidiary of the Company has undertaken litigation against a third party for unpaid labour, material supplied and unpaid additional costs incurred for a total amount of approximately $23,513,000 (US$16,277,800). An amount of $3,940,000 was included in revenue in the financial statements as at January 31, 1999 with respect to this claim. A counterclaim has been filed in this case however, the amount has not yet been specified. Management believes that the resolution of this claim and counterclaim should not have a material negative impact on the financial statements.

A subsidiary of the Company has received a notice of assessment from a municipality for unpaid taxes for an amount of approximately $802,000. Management intends to vigorously defend this claim. It is premature at this time to determine the outcome of this matter which should not have a significant impact on the financial statements of the Company.

(all tabular figures are expressed in thousands of dollars)

14. Contingencies (continued)

a) Litigation (continued)

In the normal course of its operations, the Company becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceeding pending at January 31, 2000 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's financial position or results of operations.

b) Bonding agreements

In the normal course of business, the Company may be required by clients, from time to time, to provide performance bonds and/or payment bonds, in respect of certain contracts, which guarantee payment for labour, material and services in the event of default by the Company. In order to provide such bonds, certain subsidiaries of the Company have entered into general indemnity agreements with a bonding company. To guarantee the obligations of the Company's subsidiaries thereunder, these subsidiaries have granted to the bonding company moveable hypothecs on certain assets such as rights, titles, licences, equipment, work in process and royalties.

c) Loan guarantees

The Company has endorsed loans of related companies for an amount of $2,856,220. Eventual disbursements will be charged to income in the years incurred.

15. Income taxes

The provision for income taxes is comprised of the following:

	2000	1999
	$	$
Provision using basic income tax rates	**9,594**	6,486
Increase (decrease) resulting from:		
Manufacturing and processing credit	**(1,284)**	(1,365)
Others	**1,648**	(143)
	9,958	4,978

16. Related party transactions

In the normal course of business, certain transactions were concluded with shareholders' companies and other affiliated companies related to shareholders. These transactions are measured at the exchange amount which approximates market value and are summarized below:

	2000	1999
	$	$
Sales	**204**	—
Purchases, subcontracts and related contract costs	**—**	181
Interest on due to affiliated companies	**11**	64
Rent	**76**	29

17. Income per share

The income per share was calculated based on an average of 21,220,797 common shares outstanding during the year. The income per share for the year ended January 31, 1999 was calculated based on 20,943,400 common shares outstanding as if the restructuring of the share capital and the public offering of shares, on July 7, 1999, which is described in Note 11 had been done and the convertible debenture had been converted to subordinate voting shares as at January 31, 1999.

18. Financial instruments

Credit risk

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses. For other amounts receivable, the Company determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

(all tabular figures are expressed in thousands of dollars)

18. Financial instruments (continued)

Credit risk (continued)
Concentration of credit risk with respect to receivables is limited as the Company's customers tend to be large general contractors servicing adequately funded projects. The Company also retains certain lien rights.

Currency risk
The Company realizes approximately 75% of its sales in foreign currency and does not enter into foreign exchange contracts to manage its foreign exchange risk.

Interest rate risk
The long-term debt bears fixed interest rates for 37% of the outstanding loans. Consequently, the Company's exposure to interest rate risk is moderate.

Fair values
The fair values of accounts receivable, bank indebtedness and accounts payable and accrued charges correspond approximately to their carrying amounts because of their short-term maturity dates.

The fair values of the components of long-term debt are determined by discounting future cash flows in accordance with existing financing agreements, based on the market interest rates offered to the Company for loans with similar terms and conditions and maturity dates. The Company's estimated fair values of long-term debt and convertible debentures are as follows:

	2000		1999	
	Carrying amount $	**Fair value $**	Carrying amount $	Fair value $
Convertible debentures	**—**	**—**	20,271	20,271
Long-term debt	**20,842**	**21,076**	22,902	23,111

19. Segment reporting

The Company operates principally in Canada and the United States in two business segments: Manufacturing and erection of structural steel elements and structures and supply of services and materials. The Company designs, engineers and manufactures structural steel for the non-residential construction industry and provides erection services ("Structural steel"). The Company is also involved in the distribution of industrial gas, welding and safety equipment, bolt products and metal fasteners, the provision of metal surface treatment services and the rental of heavy construction equipment ("Supply and services"). The Company reviews the performance of each segment based on the net income of each segment, adjusted for specific items arising from the consolidation process. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Inter-segment revenues are recorded at market prices. Revenues and assets are attributed to geographic areas based on the location of the customer.

	2000			
	Structural steel $	**Supply and services $**	**Other (1) $**	**Total $**
Sales from external customers	**202,903**	**13,316**	**1,984**	**218,203**
Inter-segment sales	**281**	**11,559**	**4,620**	**16,460**
Interest expense	**2,880**	**313**	**42**	**3,235**
Amortization of capital assets	**2,860**	**456**	**27**	**3,343**
Income taxes	**9,307**	**558**	**93**	**9,958**
Share of income of non-controlling interest	**(165)**	**(254)**	**—**	**(419)**
Net income	**15,176**	**109**	**170**	**15,455**
Capital assets	**36,294**	**5,532**	**600**	**42,426**
Acquisition of capital assets	**6,708**	**1,095**	**6**	**7,809**

(1) Includes corporate activities.

(all tabular figures are expressed in thousands of dollars)

19. Segment reporting (continued)

	1999			
	Structural steel $	Supply and services $	Other [1] $	Total $
Sales from external customers	101,153	7,656	91	108,900
Inter-segment sales	318	3,522	2,644	6,484
Interest expense	2,327	295	2	2,624
Amortization of capital assets	1,723	191	28	1,942
Income taxes	4,917	57	4	4,978
Share of (income) loss of non-controlling interest	136	(59)	—	77
Net income	11,713	62	9	11,784
Capital assets	32,440	4,899	621	37,960
Acquisition of capital assets	23,921	1,331	—	25,252

(1) Includes corporate activities.

Information concerning principal geographic areas is as follows:

	2000		1999	
	Revenues $	**Capital assets** $	Revenues $	Capital assets $
Canada	**50,932**	**39,063**	38,692	34,704
United States	**164,602**	**3,358**	64,636	3,256
Other foreign countries	**2,669**	**5**	5,572	—
	218,203	**42,426**	108,900	37,960

20. Comparative figures

Certain figures for the preceding year have been reclassified in order to conform to the presentation adopted in the current year.

Officers

Jean Paschini
Chairman of the Board and
Chief Executive Officer

Pierre Paschini, Eng.
President and Chief Operating Officer

Marise Paschini
Executive Vice-President, Treasurer and
Corporate Secretary

Pierre Labelle
Vice-President, Administration and
General Counsel

Yves Cloutier
Vice-President, Project Valuation and Sales

Gilbert B. Monette, c.a.
Vice-President, Finance

Daniel Rozon
Vice-President, Procurement

Alexander J. Bergel
Vice-President, American Operations

Audit Committee

Marise Paschini
Executive Vice-President, Treasurer
and Corporate Secretary
ADF Group Inc.

Ronald A. Black
Chief Operating Officer, Corporate
Secretary and Treasurer
American Iron & Metal Co.

Denis Labrecque
Vice-President of Investors Group
Solidarity FUND (QFL)

Corporate Governance and Human Resources Committee

Pierre Paschini, Eng.
President and Chief Operating Officer
ADF Group Inc.

Jacques Landreville
President and Chief Executive Officer
Uni-Select Inc.

Ronald A. Black
Chief Operating Officer, Corporate Secretary and Treasurer
American Iron & Metal Co.

Directors and Officers

Members of the Board of Directors

Jean Paschini
Chairman of the Board and Chief Executive Officer
ADF Group Inc.

Pierre Paschini, Eng.
President and Chief Operating Officer
ADF Group Inc.

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary
ADF Group Inc.

Pierre Labelle
Vice-President, Administration and General Counsel
ADF Group Inc.

Ronald A. Black
Chief Operating Officer, Corporate Secretary and Treasurer
American Iron & Metal Co.

Jacques Landreville
President and Chief Executive Officer
Uni-Select Inc.

Denis Labrecque
Vice-President of Investors Group
Solidarity FUND (QFL)

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PRINCIPAL BANKING INSTITUTIONS
National Bank of Canada
Business Development Bank of Canada

TRANSFER AGENT AND TRUSTEE
Montreal Trust Company

AUDITORS
Samson Bélair/Deloitte & Touche L.L.P.

LEGAL COUNSEL
Fasken Martineau DuMoulin

FINANCIAL COMMUNICATIONS
Lefebvre Financial Communications Inc.

The Annual General Meeting of Shareholders of ADF Group Inc.
will be held on June 14, 2000 at 11:30 a.m.
Hotel Omni Mont-Royal, Pierre de Coubertin Room,
1050 Sherbrooke Street West,
Montreal, Québec.

The Annual Information Form of ADF Group Inc.
for the fiscal year ended January 31, 2000
will be available at the Company's head office
as of June 14, 2000.

ADF Group Inc. wishes to maintain ongoing, transparent communications with its shareholders and members of the financial community. To ensure you receive all the information distributed by the Company on a regular basis, you are invi-ted to add your name our mailing list by sending your request to the attention of:

Kathleen Ryffranck,
Public Relations Coordination
ADF Group Inc.
300 Henry-Bessemer
Terrebonne, Quebec J6Y 1T3
Tel.: (450) 965-1911, extension 2283
Fax: (450) 965-1142
kathleen.ryffranck@adfgroup.com

or to the attention of our trustee:

Mme Micheline Talarico
Senior Account Manager
Micheline Talarico
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Ce rapport annuel est également disponible en français.

Printed in Canada